

HOUSING AUTHORITY OF THE CITY OF SEATTLE
King County, Washington
October 1, 1994 Through September 30, 1995

Schedule Of Findings

1. Controls Over Housing Assistance Payments Should Be Strengthened (Section 8, Rental Certificate Program CFDA 14.856 and Rental Voucher Program CFDA 14.857)

The authority's controls over Housing Assistance Payments (HAPs) are inadequate to provide a reasonable assurance of preventing errors or irregularities.

The primary control weaknesses are unrestricted access to the HAPs computer records; inadequate separation of duties in establishing, monitoring and adjusting HAPs leases; and a lack of effective supervisory review.

HAPs are triggered when a lease is entered in the computer system. A lease can be entered by anyone in the Section 8 department. Once a lease is entered, payments are automatically made until the lease end date. Lease end dates can be accessed and changed by anyone in the Section 8 department. Potential compensating controls related to annual inspections and tenant re-examinations can be circumvented by changing dates in the computer records, again something that can be done by anyone in the Section 8 department.

The amount of the payment is entered into the computer records by the Section 8 employee responsible for the lease from inception to termination. Additionally, anyone in the department can adjust the payment. Because of outdated data field limits built into the computer, payment adjustments are routine. There is no systematic review of adjustments.

Finally, there is no systematic or effective means to determine overpayments when a tenant vacates a unit outside the scheduled lease end date, unless the tenant also terminates from the program. The landlord and tenant are expected to notify the Section 8 employee responsible for the lease, but do not always do so. If an overpayment is detected, no formal system ensures collection effort, recovery or subsequent deposit.

Management is responsible for designing, implementing, and maintaining controls adequate to provide a reasonable assurance that federal assistance programs are being administered in compliance with applicable laws and regulations, and that public funds are safeguarded.

Without adequate controls, errors and irregularities could go undetected.

We recommend the authority limit access to Section 8 HAPs computer records and periodically review the reasonableness of data field limits in the computer records. We further recommend the

authority segregate duties related to HAPs leases; establish supervisory authorization for new leases, record changes and payment adjustments; and establish adequate controls for identifying and recovering HAPs overpayments.

2. Procedures For Monitoring Subrecipients Of Federal Funding Should Be Established

As of November 22, 1995, the authority had not received audit reports for three subrecipients for the year-ended June 30, 1994, and had not taken adequate procedures to follow-up.

The Single Audit Act and OMB Circular A-128 require the authority to monitor subrecipient awards, generally by obtaining audit reports from those subrecipients to which the authority provides \$25,000 or more in federal funds in a fiscal year. The audit reports are due within 13 months subsequent to year-end.

The federal government is expected to increase the subrecipient audit requirement from \$25,000 to \$300,000 or more in federal assistance. When this is implemented, the majority of the authority's subrecipients will no longer be required to submit audit reports.

The situation is a result of the authority not having formal procedures for monitoring subrecipient programs.

We recommend the authority develop procedures to monitor subrecipient programs in accordance with federal requirements.

3. Interim Recertification Policy Should Be Revised (Section 8, New Construction CFDA 14.182--Bay View Tower & Market House)

The authority may not be performing interim reexaminations as required by Section 8, New Construction. The authority's policy for recertification of tenant income and family composition is the same for all projects and does not require tenants to report interim changes. Two of the authority's projects (Bay View Tower & Market House) are under the Section 8, New Construction program which requires tenants to report interim changes.

HUD Handbook 4350.3 CHG-21, Section 5-8, Tenant's Obligation to Report Interim Changes, states:

To ensure that tenants pay rents commensurate with their ability to pay, HUD requires tenants to report certain changes in household income and composition which occur between the regularly scheduled recertifications ... All tenants must notify the owner if:

any household member moves out of the unit.

any adult member of the household, who was reported as unemployed on the most recent certification or recertification, obtains employment.

the household's income cumulatively increases by \$40 or more per month.

Section 5-11, Owner Responsibility for Processing Interim Recertifications, further states:

The owner must process an interim recertification if the tenant reports an:

interim change in household composition

interim increase in income...

The authority's policy does not encompass the unique recertification requirements of the Section 8 New Construction program.

We recommend the authority change the recertification policy for the affected program to require tenant notification and recertification when a tenant has a change in status or income.

4. Annual Recertification Policy Should Be Revised (Public Housing CFDA 14.850)

The authority adopted a new recertification policy which allows some tenants to forgo recertification for up to 15 months.

Title 24, CFR 913.109(a) states:

The PHA is responsible for determination of eligibility for admission; ...and for reexamination of family income and composition at least annually...

The authority adopted the new recertification policy to make the recertification process more efficient.

We recommend the authority change the recertification policy to require recertification of all tenants within twelve months of previous certification.